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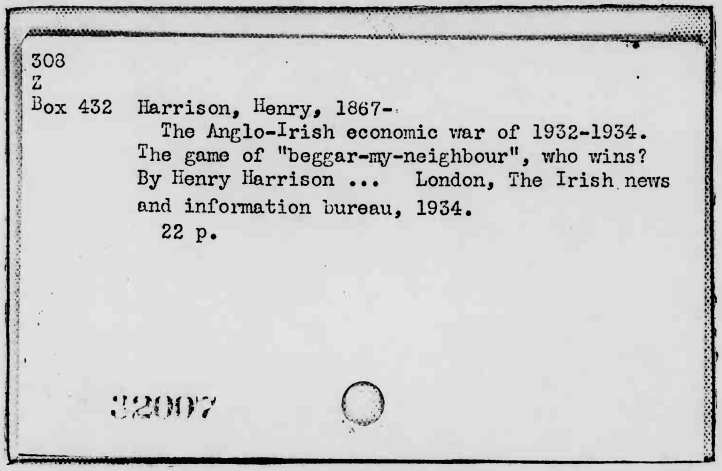
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THE ANGLO-IRISH ECONOMIC WAR
OF 1932 - 1934

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# The Game of "Beggar-My-Neighbour"

# WHO WINS ?

by
HENRY HARRISON, O.B.E., M.C.

*SEPTEMBER, 1934*

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Gift of
President N. M. Butler
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## INTRODUCTION.

The Anglo-Irish economic war has now endured a full two years. It is time, therefore, to take stock of the position, to count the casualties and to consider the progress made and the damage sustained on either side. It is important for both combatants, and for the neutrals as well, to know what is really happening.

For this purpose official statistics alone are trustworthy. It is unfortunately impossible to place any reliance upon the press. No longer can the responsible citizen say to himself what naïve persons used to proclaim: "It must be true. I read it in the paper." He has come increasingly to realise that the weapons of war-time propaganda have been furbished up for use against the Irish Free State. A patriotic British press, not always very adroitly or felicitously inspired, strives "to do its bit." Without excessive reverence for the eternal, or indeed the temporal, verities, it seeks to hearten its own nationals and to sap the enemy morale with tales of copious and diversified disasters suffered by the Irish adversaries about once a week. The truth, therefore, with authentic details, must be sought elsewhere.

The truth can be found in the "Accounts Relating to Trade and Navigation of the United Kingdom," published monthly by His Majesty's Stationery Office in London, and in the "Trade Statistics," published monthly by the Stationery Office in Dublin. The figures cited in the following pages are taken almost exclusively from the former of these two sources, and in every material case the reference is given so that readers may, if they so desire, satisfy themselves of the fact.

For the further assurance of readers the precaution has been taken of invoking the aid of the Intelligence Service of "The Economist" newspaper, which has provided the checking and verification of the figures and calculations contained in the following pages.

It is appropriate that the writer should avow his own personal standpoint in case it may be deemed to affect his conclusions. He is an Irishman who has always worked for peace between Ireland and Great Britain—not, of course, a peace by mere surrender, but an honourable peace based upon mutual advan-

tage and mutual understanding, a peace consistent with national self-respect. And, as an Irishman, he finds comfort in the thought that in the present conflict the part of Ireland has, from the very beginning, been limited to self-defence. To him it appears that Britain has refused an impartial arbitration for the settlement of a justiciable dispute, and in seeking by economic constraint to enforce an authoritarian dominance in regard to the matters at issue, is violating the essential principles of Dominionism, which formed the accepted basis of the Anglo-Irish Treaty. In his view no justification has been shown for the levying of economic war by one member-state of the League of Nations upon another—by one co-equal partner in the British Commonwealth of Nations upon another co-equal partner.

Political views and national sympathies, however, have but small bearing upon an examination of the economic and financial results of the economic war. In this, at least, economists and statisticians of the most diverse orientations may find common ground and a virtual unanimity in final judgment.



## CHAPTER I.

# BRITAIN'S ECONOMIC WAR ON IRELAND. DOES IT PAY?

" Economic War " is trade war and, as such, something of a contradiction. It is waged not by successful trade operations, but by the destruction and suicide of trade. Trade is a human activity resting upon the incentive of mutual advantage. The usual trade or " economic war " arises out of a conflict as to the apportionment of that mutual advantage between the respective trading communities, and is marked by its diminution pending reconciliation. But a trade or economic war, waged to achieve a non-trading or non-economic purpose, involves inevitably a lavish cutting-off of domestic noses in order to spite foreign faces. Mutual loss instead of mutual benefit is pursued in the pious hope that it will prove more painful and more dangerous to one's opponent than to oneself. It is a game of " beggar my neighbour," in which victory is sought by methods of competitive self-impoverishment. The trade goose is forbidden to lay its golden eggs, and occasionally it perishes altogether as the result of this aborting of its natural and normal productive capacity. It is because of these unpleasant characteristics that " economic war " waged for a political purpose is abhorred as a monstrosity in itself and as an offence against reason by merchants and traders, transporters and insurers, bankers and financiers, statisticians and economists, and—it might have been thought—by statesmen. But unfortunately, statesmen, when too freely inoculated with the virus of *odium politicum* seem to succumb to a progressive deterioration, which leaves them sub-normal as regards both the perception of essential facts and the appreciation of ultimate values.

## THE ECONOMIC WAR STARTED.

The economic war against the Irish Free State was started by Britain in July, 1932, with the enactment of the Irish Free State (Special Duties) Act, 1932, and the imposition of special import duties to be levied upon Irish imports and upon Irish imports alone.

It is true, of course, that Mr. J. H. Thomas, Secretary of State for the Dominions, has declared on more than one occa-

ion that the special duties had as their sole object the restoration of Budgetary equilibrium which the withholding of disputed payments by Ireland had disturbed. But such disclaimers of a punitive or retaliatory purpose underlying their imposition must clearly yield pride of place to the avowals of Mr. Neville Chamberlain, the Chancellor of the Exchequer, when speaking on behalf of the Government on June 18th, 1934, on the Labour Party proposal for the withdrawal of the special duties. Mr. Chamberlain frankly stated: "This dispute . . . . is really a political dispute," and based his refusal to withdraw the Special Duties upon considerations applicable to "this kind of warfare."

## THE POLITICAL OBJECTIVE.

Thus it is clear that the economic war was started, not as an economic measure for the advancement of British trade interests, but as a hostile act to secure a political objective, viz., the compulsory acceptance by Ireland of the British view as to Ireland's obligations under the alleged (but disputed) agreement of March, 1926, and also under the Treaty of December, 1921, or, alternatively, as to the type of arbitration which should be invoked for the settlement of such differences.

## EXPECTATIONS THAT MAY HAVE PROMPTED THE ATTACK.

All the initial advantages lay with Britain, the attacker. There was the element of surprise. There were terrible losses to be inflicted upon an old-established trade—a trade thought to be essential to Ireland's economic existence. There were grievous resulting hardships to be inflicted on the influential trading classes in Ireland. And there was in Ireland a strong opposition party whose policy, if it could obtain power, was believed to be acceptable to Britain.

*Prima facie*, the losses caused by the economic war would be about equal for both sides. But—again *prima facie*—they would prove catastrophic to Ireland, since they would affect her whole trade, whilst they would be relatively trivial to Britain, since they would affect no more than a fraction of her total trade. Britain, to use a favourite phrase, was Ireland's best customer, and Britain would proceed to tax and shut out Irish goods, and the excluded Irish goods could be replaced, if necessary, from elsewhere. In short, the losses of Ireland (at a small cost to Britain) would be such as to compel Ireland's



surrender on the political issue, or—alternatively—cause the overthrow of the uncompliant Mr. de Valera and secure the return of the less uncompliant Mr. Cosgrave. And, if this were not so, then assuredly Ireland would be driven into "bankruptcy," or some sort of collapse would ensue—in which event Britain would impose her will, one way or another, as effectively as before.

## NO VICTORY IN SIGHT FOR BRITAIN.

## WHY NOT?

Now, after two years, victory for Britain is further off than ever. The initial advantage of the surprise attack has been lost, and Ireland, still staggering from the shock, is busily engaged in remodelling her economic structure so that she may never be caught at such disadvantage again. The local elections in Ireland in June, 1934, have shown that Mr. de Valera is stronger than ever in political power. And Ireland's "bankruptcy" or "collapse" is surprising all readers of the British press by its resolute refusal to appear or even to betray any premonitory symptoms of its advent. No one in Britain appears to know why. And few people in Britain appear to realise how much Britain has already lost and how much Britain still stands to lose. It might be worth while for British economists, financiers and traders to scrutinise the trade records of the two countries for themselves—and to learn whither they have been led—and how far they have been misled—by polemics and propaganda. They may then come to realise certain indisputable factors which their statesmen would appear to have overlooked in their haste to levy war upon so small an adversary. They may even be driven to conclude that their statesmen's failure to perceive, or to appreciate at their true value, the essential features of the situation betrayed them into a most imprudent plan of campaign, which has brought losses quite disproportionate to any gains which conceivably might have been achieved. For their scrutiny will make clear to them that:—

(*a*) Ireland was Britain's "best customer," inasmuch as it imported the largest volume of "total exports" sold by Britain to any single country in the world.

(*b*) The trade to be attacked was one in which Britain had a most valuable "favourable balance," inasmuch as British exports substantially exceeded British imports.

(*c*) The trade to be attacked was one in which there was no difficulty in obtaining payment and no exchange operations which might affect the position of sterling.

(*d*) The Irish Free State having nearly all its liquid capital invested in Britain enjoyed a creditor position *vis-à-vis* Britain, and could without embarrassment withdraw enough of it to finance new industries at home and to make foreign purchases to replace Britain's exports to her.

(*e*) Irish purchases from Gold Standard countries, in substitution for British exports, would, so far as they went, tend directly to affect the sterling exchange rate.

(*f*) The trade to be attacked was carried almost entirely in British ships and was insured by British underwriters and its decrease would fall upon British interests in the form of a diminution of earnings from "freights and insurance."

Thus, the economic war, so lightheartedly undertaken, meant more than a mere punitive restriction upon Irish imports into Britain and a few consequent dislocations and inconveniences for British transport workers and others whose living depended on them. The fundamentals of Britain's economic position in its international bearing might be touched. The values in Britain's "Balance of Payments," of British Shipping earnings and of British sterling currency might be perceptibly affected. There might be strain, there might even be peril, for the structural fabric of Britain's financial system.

## CHAPTER II.

## WHAT RESULTS SO FAR?
## STATISTICAL TESTS.

Now for the tendencies of the economic war so far as it has gone. They can be conveniently studied by the aid of the "Trade and Navigation Accounts of the United Kingdom" for June and July, 1934, which give the provisional figures for Anglo-Irish trade, under classified headings, for the first half-years of 1932, 1933 and 1934. It is thus possible to compare with substantial accuracy the trade and shipping statistics for January-June, 1932, THE LAST HALF-YEAR OF "ECONOMIC PEACE," with January-June, 1934, THE FOURTH HALF-YEAR OF "ECONOMIC WAR."



## THE TOUCHSTONE FOR BRITISH INTERESTS.

## HER BALANCE OF TRADE AND PAYMENTS.

Before proceeding, however, to an examination of these results it will be well to furnish the background and setting of the picture into which they are to be inserted, so that they may readily be seen in their true perspective and in their logical relationship to the broad tendencies to which their movements make a minor but not inconsiderable contribution. The position of Britain, as a financial and economic unit, in its international relationships and with special reference to the exchange value of its sterling currency, depends upon two main factors: its Budgetary balance and its Balance of Payments in its trade and financial transactions with the outer world. The former shows whether current expenditure is fully met out of current revenue, or, whether daily needs are being allowed to eat into capital or create debt. The latter shows whether in its current dealings with the outside world the nation is gaining or losing wealth. The former affects the national credit. The latter, whilst also affecting the national credit, governs the daily fluctuations of the value of sterling as measurable by reference to the leading gold standard currencies. It must be emphasised that the figures which are brought into the balance are estimated and not ascertained figures—and in some cases are admittedly no more than the conjectures of skilled and responsible observers. They are, however, the best that can be obtained. And as they are systematically and carefully prepared on consistent lines over a series of years, they afford unmistakable evidence of the general tendencies of the values estimated. If a comment may be ventured, it is that foreign holdings of capital in Britain may possibly have been UNDERestimated and the "net income from overseas investments" consequently OVER-estimated. It is obviously difficult, for example, to trace all foreign investment made through purchases on the Stock Exchange. The rapid improvement in the balance seems to be scarcely consistent with the downward trend of sterling. The present situation regarding the latter is best judged by reference to the following table taken from the Board of Trade Journal:—

TABLE A.

EXTRACTED FROM *BOARD OF TRADE JOURNAL*,

23rd February, 1933 (p. 296), and 22nd February, 1934 (p. 280). Showing "Balances of Credits and Debits in the Transactions (other than the lending and repayments of Capital) between the United Kingdom and All Other Countries."

| Particulars. | 1930. | 1931. | 1932. | 1933. |
|---|---|---|---|---|
| | In Millions of Pounds. | | | |
| Excess of imports of merchandise and silver bullion and specie ... | 386 | 408 | 287 | 264 |
| Estimated excess of Government payments made overseas* ... | — | — | 24 | † |
| Total ... | 386 | 408 | 314 | 264 |
| Estimated Excess Government Receipts from overseas* ... ... | 19 | 14 | — | † |
| Estimated net national shipping income‡ ... ... ... ... | 105 | 80 | 70 | 65 |
| Estimated net income from overseas investments ... ... ... | 220 | 170 | 145 | 155 |
| Estimated net receipts from short interest and commissions ... ... | 55 | 30 | 25 | 30 |
| Estimated net receipts from other sources ... ... ... ... | 15 | 10 | 15 | 10 |
| | 414 | 304 | 255 | 260 |
| Estimated total credit or debit balance on items specified above ... | +28 | —104 | —56 | —4 |

* Including some items on loan account.

† No appreciable excess of payments or receipts.

‡ Including disbursements by foreign ships in British ports.

The balances brought out at the foot of this table represent the fluctuations of British fortunes and of British credit foundations from year to year. The Adverse Balance of 1931 expresses the conditions attendant upon the great crisis of 1931, the Adverse Balance of 1932 shows partial recovery, the diminished Adverse Balance of 1933 a still further recovery.

It has to be added that the Trade figures for the present year so far indicate an unfavourable reversion to the conditions of 1932, and that sterling, at absolutely its lowest recorded level, is showing no signs of resiliency.

It is thus obvious that Britain needs an Increase of Exports not merely absolutely but relatively in proportion to Imports. This need is, in fact, an imperious necessity dictated by every consideration of her most vital interests. Thus,



and thus only, can the Balance of Payments become favourable. And the Balance of Payments is the pressure gauge which indicates the power and the operation of the several forces that sustain or depress the exchange value of sterling.

## CHAPTER III.

## THE CURRENT TRADE RETURNS TELL A PLAIN TALE.

It will be found that whilst shrunken trade has meant decreased exports and imports for both Britain and the Irish Free State the cutting off of Irish Imports into Britain has led to an even greater decrease of British exports to Ireland. It will be found, too, that British shipping has sustained serious losses of net tonnage which have befallen it at the most critical period in its fortunes. And it will be further found by inevitable inferences, that the consequences, direct and indirect, of the economic war have all quite clearly contributed in some measure to the downward pressure upon the level of sterling in the International Exchange Market. The following tabulated statements show, in broad outline, how these results have come about.

TABLE B.

Showing that Ireland was Britain's "best customer" for British Exports just before the opening of the economic war and that she is now only fifth in the list.

BRITAIN'S EXPORTS AND RE-EXPORTS TO HER PRINCIPAL CUSTOMER COUNTRIES.

| | 1932. January—June. £ | 1934. January—June. £ |
|---|---|---|
| Union of South Africa ... | 8,916,480 | 14,124,894 |
| British India ... ... | 17,909,741 | 17,275,389 |
| Australia ... ... ... | 9,086,452 | 12,035,588 |
| New Zealand ... ... | 4,969,788 | 5,177,471 |
| Canada ... ... ... | 8,385,947 | 10,091,197 |
| **Irish Free State** ... | **18,972,334** | **12,261,775** |
| Russia ... ... ... | 5,504,077 | 2,913,899 |
| Denmark ... ... ... | 4,988,597 | 6,623,961 |
| Germany ... ... ... | 13,759,404 | 14,174,773 |
| Netherlands ... ... | 7,903,800 | 7,366,963 |
| Belgium ... ... ... | 6,899,142 | 7,355,507 |
| France ... ... ... | 14,213,981 | 12,959,421 |
| United States of America | 11,443,627 | 12,689,962 |
| Argentine Republic ... | 5,231,179 | 6,690,234 |

## HOW THE OTTAWA POLICY HAS BEEN AFFECTED.

TABLE C.

Showing how the Ottawa policy has been frustrated by the economic war. Mutual preferences have resulted—as to Dominion and Imperial trade—in an *Increase* of £10.2 millions of Imports into Britain and an *Increase* of less than £.8 millions of Exports in return. Showing, also, how for the same period, as the result of Agreement, Imports from the Argentine Republic *Decreased* by £4.22 millions whilst Exports in return *Increased* by £1.45 millions.

(i) British Trade with all British Countries (including Ireland).

| | 1932. January—June. £ | 1934. January—June. £ |
|---|---|---|
| Imports into Britain ... ... | 130,468,610 | 140,656,023 |
| Total Exports from Britain ... | 90,160,512 | 90,948,167 |

(ii) British Trade with the Argentine Republic.

| | 1932. January—June. £ | 1934. January—June. £ |
|---|---|---|
| Imports into Britain ... ... | 27,181,692 | 22,957,610 |
| Total Exports from Britain ... | 5,231,179 | 6,690,234 |

## BRITISH TRADE LOSSES IN ANGLO-IRISH TRADE.

Two features are noteworthy. Britain in 1932, as in 1934, exported much more than she imported. And Britain in 1934 has experienced a greater decrease of Exports than of Imports.

TABLE D.

Showing the principal movements in Anglo-Irish trade in the period under review.

VALUE OF IMPORTS FROM THE IRISH FREE STATE IN £'S.

| | 1932. Jan.—June. | 1934. Jan.—June. |
|---|---|---|
| Animals, Living for Food: | | |
| Cattle ... ... | £4,765,131 | £1,585,391 |
| Sheep ... ... | 394,783 | 227,755 |
| Swine ... ... | 685,251 | 208,733 |
| | 5,845,165 | 2,021,879 |
| Dairy Produce ... ... | 2,000,978 | 1,150,774 |
| Fresh Fruit and Vegetables... | 169,025 | 8,455 |
| Animals Not for Food ... | 1,293,597 | 279,300 |
| Other Imports ... ... | 5,181,819 | 4,544,624 |
| | £14,490,584 | £8,005,032 |
| **Decrease of Imports ... ...** | | **£6,485,552** |



EXPORTS AND RE-EXPORTS TO THE IRISH FREE STATE.

| | 1932. Jan.—June. | 1934. Jan.—June. |
|---|---|---|
| Food, feeding stuffs and drink | £5,412,861 | £2,197,408 |
| Coal ... ... ... ... | 1,077,645 | 468,112 |
| Apparel ... ... ... | 1,870,793 | 1,023,741 |
| Miscellaneous articles wholly or partly manufactured ... | 1,122,101 | 767,528 |
| Other Exports and Re-Exports | 9,488,934 | 7,804,986 |
| | £18,972,334 | £12,261,775 |
| **Decrease of Exports and Re-Exports ...** | | **£6,710,559** |

N.B.—Of this decrease, Re-Exports account for £1,031,382. **Total loss of Trade** (i.e., Decrease of Imports plus Decrease of total Exports) amounts **for the six months period to £13,196,111.**

## BRITISH SHIPPING LOSSES.

This shrinkage of Anglo-Irish trade is very clearly reflected in the returns of British shipping—at a time when British shipping was faltering in competition with Foreign shipping. This can be most conveniently shown in three short summaries.

TABLE E.

SUMMARY 1. BRITISH NET TONNAGE IN THE IRISH TRADE.

| | 1932. January—June. | 1934. January—June. |
|---|---|---|
| Entered ... ... | 1,698,544 | 1,548,684 |
| Cleared ... ... | 2,175,531 | 1,690,875 |
| | 3,874,075 | 3,239,559 |
| **Decrease (16.3 per cent.) ...** | | **634,516.** |

N.B.—The total foreign shipping tonnage was small. For 1932 (January—June) it amounted to 54,817 and in 1934 it had decreased to 41,066. These figures relate to entries and clearances in British harbours of foreign ships competing with British ships in the Anglo-Irish trade.

SUMMARY 2. BRITISH NET TONNAGE IN WORLD TRADE.

| | 1932. January—June. | 1934. January—June. |
|---|---|---|
| Entered ... ... | 17,555,321 | 17,642,141 |
| Cleared ... ... | 17,267,606 | 16,390,292 |
| | 34,822,927 | 34,032,433 |
| **Decrease (2.27 per cent.) ...** | | **790,494.** |

SUMMARY 3. FOREIGN NET TONNAGE IN WORLD TRADE.

| | 1932. January—June. | 1934. January—June. |
|---|---|---|
| Entered ... ... | 11,216,892 | 12,405,226 |
| Cleared ... ... | 9,883,250 | 10,705,956 |
| | 21,100,142 | 23,111,182 |
| **Increase (9.5 per cent.)** ... | | **2,011,040.** |

It is thus seen that two years of economic war with Ireland meant a loss to Britain of 634,516 net tonnage for the six months period in 1934 as compared with the corresponding period in 1932. In fact, it actually meant more, because of £6,710,559 lost exports, £1,031,380 were re-exports which had been imported into Britain, presumably in large measure in British ships earning freights. It is also seen that this loss is in no way due to the competition of foreign ships. Britain's lost tonnage in the Anglo-Irish trade was four-fifths of her total loss of tonnage in her world trade. And Britain incurred this loss whilst she was failing in competition with foreign ships resorting to her harbours in her world trade; for during this period British tonnage fell by 2.27 per cent. whilst foreign tonnage rose by 9.5 per cent.

A noteworthy feature to be observed in these figures is the increased disparity between entries and clearances both as regards Anglo-Irish trade and British world trade. Entries tend increasingly to predominate in tonnage or volume over clearances, which points to an increasing disparity of imports, in volume at least, over exports. The explanation probably lies, in part, in the lowered *price* levels of Britain's food and raw materials imports and the less yielding *price* levels of her manufactured exports. For the *value* of her exports rose slightly as compared with imports during the period under review:— Exports rising £2,356,506 and Imports £1,340,178. Doubtless the rest of the explanation lies in the fact that the depreciation of sterling operating as " a bounty on exports " mitigates for the foreign customer this rigidity of the export prices.

## BRITISH LOSSES AFFECTING THE EXCHANGE VALUE OF STERLING.

The Trade Losses and Shipping Losses sustained by Britain in waging economic war on the Irish Free State affect Britain's Balance of Trade and Payments. They do not, of course, bear directly upon the level of sterling in the Exchange Market, though their indirect effects are incontestable. But there is a third element which operates with direct effect. Ireland, as an economic war measure (which every day tends more and more to become a permanent arrangement) draws from non-British sources as large a proportion of her imports as she can conveniently



manage. She sends, so far, but little export trade in return. She pays by remitting sterling or by using sterling to purchase foreign currency. The effect upon the Exchange value of sterling, where she imports from America, France, Belgium, Holland, Germany and other gold standard countries, is identically the same as if Britain herself were the importer. Ireland's foreign trade with gold standard countries is now increasing and so far her adverse trade balance upon such trade is also increasing. The amount of this increase since the economic war was started is small as yet—perhaps £3 millions to £4 millions for the year. It is certain to grow. But, such as it is to-day, it must be added, as a factor militating against the Exchange value of sterling, to Britain's other losses in the economic war. The Irish Trade statistics for June, 1934, enable the amount of Ireland's growing adverse trade balance with gold standard countries to be approximately estimated. The following table, based upon the Irish Free State figures for January—June, 1932 and 1934, respectively, sufficiently illustrates the point:—

TABLE F.

IRISH FOREIGN TRADE FOR JANUARY-JUNE, 1932 AND 1934, COMPARED.

Indicating Increase of Irish Imports from Gold Standard Countries.

| | Imports. 1932. Jan.-June. | Imports. 1934. Jan.-June. | Exports & Re-Exports. 1932. Jan.-June. | Exports & Re-Exports. 1934. Jan.-June. | Increase of Import Surplus in 1934. |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| "Other Countries," viz., other than Great Britain and Northern Ireland | 4,782,534 | 6,085,462 | 459,370 | 583,478 | 1,178,820 |

SOME TYPICAL INSTANCES.

| | | | | | |
|---|---|---|---|---|---|
| Belgium ... ... | 355,736 | 532,100 | 47,198 | 109,649 | 113,913 |
| Finland ... ... | 29,846 | 82,064 | 4,065 | 433 | 55,850 |
| France ... ... | 102,014 | 127,718 | 52,657 | 36,194 | 42,161 |
| Germany ... ... | 456,803 | 1,261,512 | 20,796 | 88,084 | 737,421 |
| Netherlands ... | 173,192 | 324,159 | 30,165 | 22,546 | 158,586 |
| Poland ... ... | 30,394 | 423,985 | 36 | 5,895 | 387,732 |
| U.S.A. ... ... | 700,122 | 932,456 | 56,190 | 70,739 | 217,785 |
| | | | | | 1,713,448 |

N.B.—There was a substantial decrease during this period in imports from Canada, Australia, Czecho-Slovakia and the Argentine Republic.

## CHAPTER IV.

## BRITISH LOSSES SUMMARISED—AS AFFECTING HER BALANCE OF TRADE.

It is thus seen that Britain's position in world finance is affected by the economic war with Ireland in three ways which may be summarised thus:—

1. Decrease of Visible Exports.

*Loss of Exports* for six months' period £6,710,559 or £13.5 millions per annum.

These formed the major proportion of a lost trade turn-over of £13,196,111 for the six months' period (or £26,392,222 per annum). It is a natural inference that the Imports which were prevented by discriminatory tariffs and by positive embargo from entering from Ireland have been largely replaced by similar imports, and also, perhaps, by different imports from elsewhere. Thus where for "Meat" and "Live animals for meat" Ireland lost £4 millions and the Argentine and Denmark £2 millions and £1.5 millions respectively, British Countries and the U.S.A. gained £4.5 millions and £.5 millions respectively. This inference would appear to be further supported by the fact that the relationship between total imports and total exports is virtually the same for January—June, 1934, as for January—June, 1932, in spite of the Ottawa Agreement and the other trade agreements and the "bounty on exports" effect of sterling depreciation.

2. Decrease of Invisible Exports.

Loss of freights and Insurances for six months' period on Net Tonnage of 634,516—or 1,269,032 per annum. This fact is to be mitigated in so far as Imports from Ireland are replaced by Imports from elsewhere if, and to such extent as, they are carried in British ships.

3. Increase of Invisible Imports.

An invisible Import is created, which bears directly upon the sterling exchange rate, by Irish net purchases from gold standard countries abroad of imports to replace British exports no longer imported.

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The writer is not prepared to attempt to attribute precise values to these three elements. Enthusiasts for the prosecution of the economic war may suggest that they are not very large. But they are very far indeed from being negligible in the case of a sensitive balance with a drooping tendency. Further, taking the two periods under review, January—June, 1932, and



January—June, 1934, it must be remembered that the year 1932 showed a net Adverse Balance (See Table A, p 10) of £56 millions; and that, whilst the year 1933 produced a more satisfactory yet still adverse balance of £4 millions, the present year, 1934, so far, offers little prospect of any better result than that of 1932. Thus the process of recovery from an undesirable position has been not merely retarded. It has been reversed. The Adverse Balance now tends to increase. During the past two years the course of sterling has been downwards, and, according to the general anticipation of the City, it is likely to continue downwards. It would be manifestly unwise, therefore, to underestimate the importance of any factors tending further to depress it. The very magnitude of the issues that depend upon the trustworthiness of sterling forbid rash estimations inspired by racial prejudice or national pride. It demands responsible judgment based upon clear thinking.

Can there be any doubt—to put the question in its simplest form—that the economic war upon Ireland has proved to be inordinately expensive and to constitute a dangerously heavy burden upon Britain's economic fortunes at a time of unprecedented stress?

## CHAPTER V.

## WHAT THE ECONOMIC WAR MEANS TO BRITAIN.

## ENSURING FAILURE AND RISKING RUIN.

It has thus been seen that for Britain the economic war has entailed very serious trade losses and even graver dangers to her international financial standing. For no serious thinker is deluded by the pleasant results of the expansion of the British home market into thinking that the corner has been turned in the long-drawn sterling crisis. There are obvious limits to the possible development of the home market, beneficial as it doubtless is. On the other hand, an effective stabilisation of sterling at some level is vital and indispensable if Britain is to remain the trusted repository of the world's fluid capital—and without the world's fluid capital to maintain the levels of cheap money in the British Money Market, British Budgetary finance would to-day be no less embarrassed than it was in August, 1931. Indeed, it would be worse off, since many of the efforts and sacrifices made in the interval since then, cannot be repeated, such as the bringing out of private gold stocks, the liquidation of foreign investments, certain prunings and economies and the like. But, above all, the depreciation of sterling from 20s. to little more than 12s. to

the £, as measurable in gold currencies, cannot be repeated. Already it has led—with other causes in addition, perhaps—to an answering depreciation of the dollar, because the U.S.A. refuses to be undersold in the world's export market. But the U.S.A. with a favourable Balance of Trade and Payments and a huge gold reserve is in a relatively safe position for currency experiments compared with Britain, whose currency has been forced down through the known weakness of the foundations upon which it rests. And if depreciation of sterling and of the dollar were to go much further so that conditions might become intolerable for the gold standard countries, and if all currencies, therefore, became unstable, Britain would lose the advantage in competing in the export market which sterling depreciation has so far brought her. Thus, in her efforts to attain stabilisation—if complete recovery be beyond hope—Britain has been like a strong swimmer struggling in a stormy sea. And for the struggling swimmer the Anglo-Irish economic war has been as a leaden weight checking her movements, thwarting her efforts, dragging her down. It is very far from being in itself enough to sink the swimmer. But who, having studied the preceding pages, will venture to declare that it is not a grievous embarrassment which, in the circumstances of the present long-drawn crisis, entails most perilous possibilities?

## IS THE GAME WORTH THE CANDLE?

No one who has read British history will wonder if Britain deliberately accepts embarrassments and faces perils where great national interests are at stake. A great nation must always be ready to face that ordeal. But here the question positively obtrudes itself: "What great national interests of Britain are at stake?" The answer is that it is no more and no less than a matter of the constitution of an arbitration tribunal which shall decide certain disputed points in the interpretation of instruments of contract between Ireland and Britain. Arbitration was offered and accepted. But hostilities—economic hostilities—ensued because Britain insisted upon a tribunal manned exclusively by British subjects, whilst Ireland refused to submit to this restriction. That was the cause as well as the point at which negotiations failed and economic war ensued. Is it worth it? Is it worth a contest that costs millions per annum—a contest that helps to shake the very foundations of British credit and British finance?



## A SELF-DEFEATING POLICY.

Again, is British policy, in its ultimate aims, well-served by the economic war? What are these aims? Surely the answer must be "to retain Ireland, as far as possible, within the British orbit of political (including strategic) and economic influence? Governmental control has been reduced to a system of "free association" (with or without the much-discussed right of secession) to be regulated by free contract. The policy that adopted that solution is intelligible only as a crude surrender unless it relied for its support and eventual success upon mutuality of interest, upon social relationships and the nexus of a closely linked, almost interlocked, economic system. It looked to the evolutionary operation of natural forces. It committed itself finally, in abandoning all claim to Imperial control, to an alliance or association based upon friendly goodwill and to community of national interests and held together by innumerable voluntary ties of common safety, of common profit, of common purpose. There can be no other intelligible interpretation of the policy that made the Anglo-Irish Treaty, if it was made in good faith.

The economic war is not a mere cessation of this policy. It reverses it. It destroys it because it operates by destroying the social forces and the economic relationships which guaranteed its promise of success. It destroys it, because all the links, all the ties, all the liaisons which survived the political struggle are being shorn asunder beyond hope of replacement if peace delays its coming. British policy aimed at preventing effective political separation by relying upon an existing social and economic nexus. The economic war shatters that policy by thrusting upon Ireland a completed social and economic separation in an effort to snatch victory upon a subsidiary political issue. It reverses the Treaty policy by severing all natural ties in attempting to dominate by crude and naked compulsion.

Thus victory in the economic war would spell self-defeat for major British policy. And for this Britain is stumbling about unwittingly on the edge of the financial abyss!

### CHAPTER VI.

## HOW IRELAND SUFFERS AND SURVIVES.

An immense dislocation has been caused in the Irish economic system. And terrible hardship has inevitably been inflicted upon the cattle-raising and cattle-trading classes and certain other classes of farmer. But dislocation and hardship for classes and sections are not the same thing as economic loss

for the national unit. An economic readjustment was necessitated which may prove to be extremely beneficial. An immense stimulus has been given to the policy of utilising the dormant stocks of Irish resources in the way of raw materials, water-power and fuel, industrial skill, brains and labour and particularly of Irish mobile capital, of which the bulk has long been invested in Britain. The result has been a substantial repatriation of Irish capital withdrawn from British investments and a certain influx of British and other capital for employment in new industries aided and guarded by the whole panoply of modern protectionism. The British market—Ireland's principal if not quite " only " external market—having been suddenly and peremptorily curtailed, Ireland has turned herself with great vigour to developing and serving her home market. If she cannot send to Britain as much food as before, she can at least consume much of it herself by dispensing with her previous large imports of food. She has already made considerable headway in the production of fuel, sugar, wheat, boots and clothing, confectionery, in tobacco manufacture and in the milling industry, in the generation of electric power and such-like, whilst cement works, tanneries, canning industries—and many other industries are on the way. She has still, however, an inconveniently large surplus of food in the shape of cattle. But this difficulty will adjust itself by degrees.

Having regard to the political aspect of the economic war, it is surely a most ironical consequence, which British politicians might have foreseen, that the whole impact of the British offensive against the Irish Free State has fallen with grievous consequences upon that portion of the community which lived on the Anglo-Irish trade either as producers for export or as importers and distributors and commission agents or, in other words, upon that section of the community which was likely to be, and was in fact, best affected towards Britain and British interests. In the result, not unnaturally, the pro-British elements in Ireland have suffered very severely in purse, in prestige and in political power. Again, Irish Nationalism has not been slow to perceive its advantage. No Irish Government would have dared to risk so swift and so drastic a readjustment of the internal economy of the country. Who could have conceived in their wildest flights of fancy that Britain herself would have forced upon Ireland the necessity for a supreme effort at economic independence, and have furnished, at the cost of her own friends and partisans, the most favourable possible conditions for the experiment ? Who could have anticipated that a British Cabinet, by a single maladroit stroke, would have presented to Mr. de Valera a golden opportunity to realise this cherished dream of all traditional Irish Nationalism of every



shade from Dean Swift to Grattan and down to Parnell and Griffith ?

Of the ultimate success of Ireland's efforts at self-sufficiency and self-industrialisation it is too early to judge. But of present progress there is abundant evidence—if only the British press cared to perceive and report it. But the British press, in accordance with the practice of war-time propaganda, has devoted itself to making everybody's flesh creep by stories of terrible war effects in Ireland—with the result that Ireland has long since ceased to trust it, whilst Britain continues to be deluded and misled as to what is really happening. Nevertheless the truth, widely realised in Ireland, is beginning to be realised elsewhere. Many British commercial interests have close touch with current developments in Ireland. Independent witnesses have their tales to tell. And once again there are figures that talk. Convincing testimony of increased employment and increased spending power is afforded by the current trade figures of both countries. Both tell of a growing consumption of minor luxuries in Ireland.

For the six months period January—June, 1934, as compared with January—June, 1932, Irish imports from Britain and elsewhere shew marked increases for beer (and hops for beer-making), tobacco, tea, cocoa, oranges, etc., whilst in sugar and confectionery Ireland is already practically self-supporting. Goods traffic on the railways has produced substantially larger takings for the same period. Consumption of electrical energy increased last year by more than fifteen per cent. And the notably satisfactory Christmas season in 1933 for the Dublin and provincial shops was eloquent of conditions that still prevail. And as recently as 21st July, 1934, the Irish representative of " The Economist " reported that : " The best-informed bankers in Dublin are of opinion that no drain is taking place, and refuse to regard the situation with any anxiety."

Thus Ireland is seen to be weathering the storm. She withstood the shock of the initial surprise attack upon her trade. She has, as the election results of last June proved, hardened in her determination not to submit to the pressure of economic warfare. She has passed the worst of the internal political crisis caused by the sudden influx into her Opposition ranks of all the pro-British partisans with revolutionary or semi-revolutionary aims and methods. She has apparently won through to immunity against the effects of external propaganda and intrigue. She is busily engaged in building up a long-desired economic system—and she is convinced that its success is not merely practicable but can certainly be attained. And she has the necessary capital resources—nearly all invested in Britain—to enable her to see the experiment through, however long the present crisis may last.

## CHAPTER VII.

## THE FUTILITY OF THE ECONOMIC WAR.

## A MIS-HANDLED BOOMERANG.

Is it not clear that economic warfare between Ireland and Britain, as it is waged to-day, is an absurdity? "Beggar my neighbour" is a foolish game when played with national fortunes as counters. Most foolish of all when the squandering of the national fortunes, present and future, wins nothing better than a stalemate. The game drags on, injurious to both, but more vexatious to Britain, whose most important policies it wrecks, than to Ireland whose nationalist policies it serves, though it serves them painfully and expensively.

Is it not clear, too, that the more the war injures Ireland by so much the more will that injury react upon Britain? Ireland was literally the best customer for British total exports when the economic war started. To-day, in the fifth half-year of war, Ireland is well down the scale. "Yes," it will be urged, "but has not Ireland also suffered?" Of course she has—unfortunately for Britain. For in so far as Ireland has suffered she has withdrawn her savings from Britain to pay her way. And the more she suffers the more she will withdraw in order to buy from other countries and to equip home factories for self-supply. "But suppose Ireland fails in her attempts at self-supply?" She would, in that case, be a still worse customer for British exports since she would have nothing to buy with when she will have withdrawn all her savings from Britain. But that is, as has been seen, a most unlikely contingency.

Is it not clear, then, that a prosperous Ireland is a much more desirable neighbour for Britain than a ruined Ireland or a commercially estranged Ireland? A more prosperous Ireland will probably be an even better customer for British exports than ever before. A prosperous Ireland will not buy just the same things that she used to buy. She will have learned to grow or to manufacture her food and her clothes and most of her primary and secondary needs, but, in her growing wealth and industrial development, she will have other needs no less costly: machinery, equipment, chemicals, technical apparatus and the like. If peace comes soon she will buy them from Britain where she has been wont to buy. If peace is delayed, each day's delay tends to consolidate and perpetuate the commercial relations which she is now establishing with Continental Europe and America. For every day Ireland is learning to revolve in a new orbit.



## TWO FINAL CONSIDERATIONS.

The policy of waging economic war on Ireland has failed to secure Ireland's submission regarding the original cause of quarrel. Such a war in any case would have been an expedient of questionable ethical value and of equally questionable political prudence. Yet it might have been accorded some sort of colourable justification if it had won a quick success. But it failed. It has failed at great cost to Britain. It has failed with such grave reactions to high policy both in the constitutional and the financial sphere that it now stands revealed by the high, dry light of statistics, as having been as inept in conception as it has proved mischievous in realisation. And no glamour of propagandist illusionism can conceal that ugly fact.

Did the authors of that policy ever pause to contemplate two contingencies that might well arise from the economic war, if it be prolonged and intensified?

Suppose it became the policy of the Irish Free State to dissociate its currency from the depreciating sterling and, to that end, to encourage the wholesale withdrawal of Irish capital from British securities for investment elsewhere? Who, remembering the crisis of 1931, is prepared to deny that, with an exodus of £100 millions, what then was a landslide might now prove to be an earthquake?

Supposing Britain were to become involved in another Great War and Ireland could no longer—owing to a completely reconstituted economic system—furnish the copious food supplies which enabled the submarine menace of 1917 to be overcome? Is it wise—is it consistent with sanity—to rely exclusively upon transatlantic and antipodean supplies to be drawn, precariously and most expensively, from the uttermost ends of the earth?

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